

Hampton Roads Economic Development Alliance Southside/Peninsula Merger Memorandum of Understanding

This Memorandum of Understanding memorializes the general terms upon which the seven Peninsula municipalities and the six Southside municipalities, and their associated business communities, have agreed to merge their economic development alliances and join forces to collectively market the Hampton Roads MSA for economic development purposes.

I. OVERALL PLAN

1. Economic Development Alliance:

The seven Peninsula jurisdictions and related business community investors will join the six Southside jurisdictions and related business community investors in HREDA, merging their two economic development alliances and unifying their efforts to market the Hampton Roads MSA.

2. Peninsula Workforce Development:

The current Peninsula Alliance for Economic Development will become the "Peninsula Council for Workforce Development" ("PCWD") and will continue to operate the Peninsula's workforce development programs.

II. HAMPTON ROADS ECONOMIC DEVELOPMENT ALLIANCE ("HREDA")

1. Merger Benefits:

Unified regional identity. Improved marketing of Hampton Roads MSA, program and staffing cost savings, streamlined administrative functions, research efficiencies, duplication avoidance, less public confusion regarding economic development initiatives and jurisdictions, VEDP affirmation

2. Mission:

Economic Development Promotion of the Hampton Roads MSA, emphasizing new business attraction

3. Geography:

Combined Alliance would represent 13 Virginia jurisdictions, 7 Peninsula and 6 Southside

4. Revenue Estimates:

<u>Southside Contributions*</u>	Year 1	Year 2	Year 3
Private Contributions	1,050,758	1,130,009	1,200,000
Public Contributions	1,061,088	1,061,088	1,097,085
Sub Total	2,111,846	2,191,097	2,297,085

<u>Peninsula Contributions*</u>	Year 1	Year 2	Year 3
Private Contributions	300,000	350,000	400,000
Public Contributions	858,054	694,970	503,107
Sub Total	1,158,054	1,044,970	903,107

TOTAL Revenue	3,269,900	3,236,067	3,200,192
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* **Assumptions:**

Municipal Funding Assumptions

Williamsburg & Poquoson: \$1.00 per capita per year

- Year 1: All other Peninsula jurisdictions: \$1.74 per capita
- Year 2: All other Peninsula jurisdictions: \$1.40 per capita
- Year 3: All other Peninsula jurisdictions: \$1.00 per capita
- Public Contributions based on 2003 Census data

Private Sector Funding Assumptions

- Regional businesses with dual locations fully fund their contributions to the newly established organization at Year 1 levels through Year 3
- Peninsula minimum private sector investment of \$1000 per year, for Years 1 & 2. Minimum investment for ALL, beginning Year 3, will be \$2500 per year with a 5-year commitment.
- Successful capital fund-raising campaign throughout Hampton Roads MSA nets \$300,000 increase over 2004 combined HREDA/PAED funding levels

5. Estimated Year 1 Budget/Expenses

YEAR 1 Budget / Expense

Operating Expense	Estimated Standard Budget	Estimated Actual Expense
Administrative Services	18,900	
Auditing & Accounting	4,000	
Auto Maintenance	2,000	
Depreciation	65,500	
Dues & Subscriptions	15,000	
Equipment / Services	30,000	13,280
MIS Services	20,000	20,000
Insurance	10,300	
Legal Fees	3,000	7,000
Bus. Meetings	3,000	
Office Supplies	12,000	
Research Materials	Inc. in Programs	
Postage	18,000	
Printing	40,000	60,000
Professional Dev.	20,500	
Programs	1,379,000	
Rent - Peninsula	20,640	
Rent - Southside	86,880	
Staff	1,188,000	30,000
Taxes	2,000	
Telephone	35,000	
Travel	45,000	
Miscellaneous	4,000	
TOTAL	3,022,720	130,280
Grand Total	3,153,000	

Assumptions: Year One

1. 1,200 square feet of Peninsula office space at \$17.20 / sq. ft.
2. 6,000 square feet of Southside office space at \$14.48 / sq. ft.
3. 16 staff members

6. Initial Capital Contributions:

Southside:	\$2,000,000.00
Peninsula:	\$800,000.00

7. Governance:

Officers: 4 volunteer officers (2 from Peninsula and 2 from Southside) consisting of rotating Chairman, Vice Chairman, Treasurer and Secretary nominated from the private sector. Board Officers will be \$5,000 per year level investors. Officers will interact with Management bi-monthly or as required. In addition, the Alliance will employ a CEO, who will serve as the President of the Alliance. Jones Hooks is currently CEO/President of the Alliance and will continue to serve post-merger.

Executive Committee of the Board: 28 total members consisting of two delegations: 14 Peninsula (7 municipalities, 7 private); 14 Southside (6 municipalities, 8 private). The President will be an ex-officio, non-voting member of the Executive Committee (as well as the Board of Directors). Representatives will have, and may exercise, all of the powers of the Board of Directors in the management and conduct of the Alliance's business and affairs during the intervals between meetings of the Board of Directors. The Executive Committee shall meet at least quarterly to consider policy recommendations.

The Alliance will continue to extend an ex-officio, non-voting position on the Executive Committee to the CEO of the Hampton Roads Chamber of Commerce (HRCC) and a voting position on the Executive Committee to the HRCC Chairman (as one of the Southside private sector representatives) if said Chairman represents a board level (\$5,000/yr) private sector investor. This also applies to the Board of Directors.

Nominating Committee: A four member Nominating Committee will nominate a slate of Officers and the private sector members of the Executive Committee each year. The Chairman and Vice Chairman will serve on the Nominating Committee and the Executive Committee shall appoint two additional members of the Executive Committee (one from the Peninsula delegation and one from the Southside delegation) to serve on the Nominating Committee, resulting in two members of each delegation serving on such Nominating Committee. Peninsula and Southside nominees for the Executive Committee will be selected by their respective constituency on the Nominating Committee.

Board of Directors: All Mayors and Chairs and \$5,000 annual Private Investors will comprise the Board. Each municipality is also allocated one additional Board seat for each additional \$100,000 contribution, or portion thereof, beyond a base annual contribution of \$100,000. For a period of up to two years after the merger, existing Board members of the PAED who contribute at least \$1,000 per year will be offered a Board seat on the merged organization. Those members serving under this waiver will not be eligible to serve as Officers. The Board of Directors will meet at least semi-annually for the purpose of approving overall Alliance policies and budget.

The Board will consist of two delegations – Peninsula and Southside. Both delegations must approve the closure of any staffed office location and changes to the Corporate Charter and Bylaws. Accordingly, the Peninsula Office of HREDA cannot be closed without approval of the Peninsula delegation, and the Southside Office of HREDA cannot be closed without approval of the Southside delegation.

The Board will be led by a Chairman. The Chairman, Vice Chairman, Treasurer and Secretary will be elected for a one-year term and shall be eligible for re-election to one additional term. The

Chairman and Treasurer shall both come from the same delegation (Peninsula or Southside) and the Vice Chairman and Secretary shall come from the other delegation (Peninsula or Southside).

Bylaws: The HREDA Bylaws (which are already generally structured consistent with the foregoing) will be updated to incorporate the specific provisions outlined above.

8. Marketing Advisory Committee:

Directors of Economic Development Departments from each member jurisdiction will comprise the Marketing Advisory Committee. This committee's purpose is one of support and sharing information with Alliance management, including target market inputs and coordination of jurisdictional participation in Alliance prospect visits/missions/activities/events.

9. Operations:

The newly merged Alliance will pattern its prospect management procedures, marketing missions, community relationships, and responsibilities with governing committees and boards based on prospect needs, an inventory of sites/properties, efficient and effective use of Alliance funds, open and frequent communications, and approved Board policies. The operating model will closely reflect that currently used by HREDA.

- The Alliance will not endorse intra-regional competition for existing Hampton Roads businesses and will work to foster full regional cooperation through adoption of "no poach/non-solicitation" protocols between member jurisdictions.

10. Staffing:

There will be a six month transition period in which to achieve an overall staffing level of 16 employees. 13 employees to be located in the present Norfolk facility and 3 employees to be located in the Peninsula Regional Office.

11. Facilities:

- HREDA presently occupies approximately 6,000 sq. ft. of space, and in year 6 of a 11-year lease arrangement. This space will be adequate to serve as the merged Alliance headquarters.
- The Peninsula Regional Office will occupy a maximum of 1,200 square feet. It is envisioned that this will initially involve a sublease from the new PCWD of office space for HREDA staff and the joint use of the conference room and other shared facilities (with HREDA paying 21% of the office rent and other agreed upon shared facilities/equipment costs). Office furnishings for Peninsula economic development personnel will be transferred to HREDA.
- Under an in-kind arrangement with the Norfolk Airport Authority, the Alliance would continue to maintain an 800 sq. ft. conference facility at Norfolk International Airport.

12. Funding:

Private Sector participation will require a five year commitment at a minimum of \$2,500 per year for Investor Designation and \$5,000 per year for Board level participation. However, existing PAED Investors contributing at least \$1,000 per year will be entitled to participate as Investors for a two-year phase-in period provided they continue to contribute to the merged HREDA at their pre-existing level. A cap of municipal funding should be examined. In order to strengthen private sector involvement, a region-wide private sector fund raising initiative will be scheduled in late 2005.

13. Marketing Strategy:

- Aggressive "face to face" economic development business attraction would be supplemented by extensive promotional/PR splash to draw attention to the newly merged Alliance.
- Stronger alliances with existing groups, including Technology and University groups would be pursued.
- International activities would be enhanced.

III. PENINSULA COUNCIL FOR WORKFORCE DEVELOPMENT (PCWD)

1. Structure:

The current PAED entity will become the "Peninsula Council for Workforce Development" ("PCWD") and will continue to operate the Peninsula's workforce development programs.

2. Funding:

In addition to grants and income from financing, each Peninsula jurisdiction will contribute \$0.51 per capita per year for PCWD activities based on 2003 population estimates.

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